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INTERNATIONAL TROPICAL TIMBER COUNCIL

FORTY-SIXTH SESSION
13-18 December 2010
Yokohama, Japan

FINANCING OF COUNCIL SESSIONS HELD OUTSIDE THE HEADQUARTERS

[Item 13 of the Provisional Agenda]

1. Introduction

This document is prepared pursuant to the Chairperson's proposal adopted by the Council at its Forty-fifth Session held on 9-14 November 2009 in Yokohama, Japan.

The proposal states, *inter alia*, that "A long-term solution concerning the financing of the Council Sessions outside the Headquarters would be taken up at the Forty-sixth Session of the ITTC, taking into account the proposal of Brazil and Mexico presented at the Forty-fifth Session".

2. Elements of the Brazil and Mexico's Proposal on Financing of Council Sessions held Outside the Headquarters

The proposal of Brazil and Mexico presented at the Forty-fifth Session contains the following elements:

- The convening of the annual session of the Council shall rotate between the Headquarters and a Producer member country;
- Each Member country shall contribute a sum of US$3,000 per year towards meeting the costs of holding a Council session in a Producer member country;
- A separate sub-account under the Administrative Account shall be opened for this purpose and the sub-account may also receive voluntary contributions made by Member countries for this purpose;
- In a situation when a session of the Council is to be held in a Producer member country, the inviting government shall submit detailed estimates of the costs to be covered by the host country and shall ensure that adequate resources are available to meet these costs;
- The Secretariat shall review all relevant procedures for the convening of the sessions of the Council with the objective of reducing the costs of holding these sessions particularly with regards to the distribution of printed materials;
- The Secretariat shall, for instance analyse the feasibility of limiting the number of printed copies of documents to be distributed to delegations.

3. The above proposal by Brazil and Mexico was circulated to Member Countries on 15 September 2010 soliciting comments and opinions to facilitate discussions at the Forty-sixth Council Session. Responses were received from Canada, Egypt, European Union and U.S.A. These responses are annexed to this document.

ANNEX

Canada

Natural Resources Canada | Ressources naturelles Canada

Canadian Forest Service | Service canadien des forêts

October 14, 2010

Mr. Emmanuel Ze Meka
Executive Director
International Tropical Timber Organization (ITTO)
International Organizations Center - 5th Floor
Pacifico-Yokohama, 1-1-1, Minato-Mirai, Nishi-ku
Yokohama, 220-0012 Japan

Subject: Canada's response re: financing of Council sessions held outside of headquarters

Dear Sir,

Canada would like to thank the Office of the ITTO's Executive Director for bringing this proposal back to members' attention. It is also appropriate at this time to thank the delegations from Brazil and Mexico for attempting to broker a constructive solution to the recurring discussion of financing for future Council sessions.

Although the proposal appears improved from the informal proposal developed during the closing hours of the 45th Council session in November of 2009:

1) As a procedural issue, Canada considers that any proposals of this nature should be addressed as a Decision of the Council. The proposal as attached was not circulated until closing day of the 45th Session of the ITTC, and after the Report of the CFA had already been approved by Council. Given the detailed financial nature of the proposal, Canada would propose that such a proposal should be raised as an agenda for the CFA at the 46th Council session. Any ITTO member decision on the proposal should be either as a recommendation by the CFA within their 2010 Report of the CFA, or as rendered as a formal decision by the 46th ITTC as agenda item early in the 2010 Session.

2) Canada can not accept the proposal of a US$3,000 levy from each member country. There are a number of reasons for this: First, Canada considers the levy of annual dues to be the exclusive method for country contributions to the core budget – this levy would set an unacceptable precedent. Second, given patterns of arrears by some members to meet annual dues payments, there is no reason to consider that the proposed levy would meet with a different response. Third, the proposed fee is being proposed without a budget against which to assess its reasonableness, either for the Guatemala meeting or otherwise. In the absence of a budget from Guatemala, it is not clear within the current Mexico-Brazil financing proposal whether the proposed levies would address the full cost or an unknown portion of the 2011 session's costs.

3) Canada cannot accept a 6% increase in our annual assessed dues to support incremental financing outside of headquarters if financing for a 47th Council session in Japan is already secured.

In closing, Canada acknowledges the importance that many members attach to the rotation of meeting locations between producer/consumer as an important tenet of the Organization. It is our belief that a solution to this issue can be brokered during the 46th Council session if addressed in the opening day of the agenda, and with clear guidance provided to the CFA and Council from the Chairperson. In this regard, Canada looks forward to a productive Council session this coming December in Yokohama.

Sincerely,

Peter Besseau
Director International Affairs
Canadian Forest Service
Natural Resources Canada

Cc: Mr. Patrick Wylie, Canadian Forest Service

Canada

Egypt

From: Ali Asal [mailto:egyptforestry@yahoo.com]
Sent: Sunday, September 19, 2010 5:37 PM
To: IRIE Yuka
Subject: Re: Forty-sixth Session of the International Tropical Timber Council - Financing of Council Sessions Outside of the Headquarters

Dear Mr. Yuka

Referring to Dr. Ze Meka statement concerning submitting comments and proposal on " financing of the ITTC sessions outside the headquarters", kindly would like to raise to your attention that I have already reviewed the elements of the Brazilian proposal on this regard, found reasonable and convenient as I will transfer my primary consensus to department of the foreign Agricultural relations to ratify approval on the financing issues.

Best regards, looking foreward to future indiscernible cooperation,

Sincerely yours,

Ali O. Asal
Afforestation Director General &
Deputy Undersecretary of State for Afforestation & Environment

European Union

EUROPEAN COMMISSION
DIRECTORATE GENERAL
DEVELOPMENT

Thematic issues
The Director

Brussels, 15 -11- 2010
dev.dga.b.1 (2010) 866537

Subject: **Financing of Council sessions outside the headquarters.**

Dear Dr. Ze Meka,

I wish to thank you for your Fax F.10-0215 of 15 September 2010 accompanied by document ITTC(XLVI)/7 asking members' opinion on the forthcoming agenda item concerning the financing of Council sessions outside the headquarters in Yokohama.

This letter reflects the position of the European Union and its Member States.

As you know, the question of financing Council sessions outside the headquarters in Yokohama is an old problem, raised since many years and exacerbated during the negotiation of the new ITTA 2006, without reaching however a satisfactory convergence of opinions among parties. Therefore, the EU is in favour of a sustainable and equitable solution that may contribute to put an end to the current lack of consensus.

If the principle of sessions outside Japan is confirmed by the ITTO Council, the EU considers that the best approach should be that sessions outside the headquarters would be fully financed by the inviting host country, with a minor contribution of the Organisation and possibly extra voluntary contributions of members.

In case of dissension on such an approach, after having assessed the current situation, notably in the framework of the different scenarios, the EU considers that a viable and equitable alternative option could be found in the framework of the administrative budget, through a provision destined exclusively to Council meetings outside Yokohama.

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Taking into account aspects of transparency, oversight and accountability the amount should be kept as low and transparent as possible and examined within the comprehensive and holistic discussion on the budget.

This solution would have the advantage that all members share the costs according to their respective votes.

The EU is of the opinion that other alternative solutions, including the interesting proposal introduced by Brazil and Mexico, may not offer definitive answers, as the uncertainty of the number of memberships may influence the availability of sufficient funds.

The EU considers that in order to achieve a viable and sustainable financing for the Councils outside Yokohama, it would be necessary to adopt the most equitable distribution of the burden among members.

The EU is ready to actively contribute to the debate to be held in the forthcoming Council session. I take this opportunity to renew the expression of my highest consideration.

Luis Riera

U.S.A.

From: Brooks, David [mailto:David_Brooks@ustr.eop.gov]
Sent: Saturday, October 16, 2010 6:25 AM
To: Emmanuel Ze Meka; OED; HASAN Mahboob
Cc: Barber, Charles V; Shaw, Ellen M
Subject: US response re: ITTA, 2006

Emmanuel Ze Meka, Executive Director
International Tropical Timber Organization

Dear Emmanuel,

Thank you for your letter (15 September) in which you provided information regarding the entry into force of the ITTA, 2006 and requested our views and comments. Separately, you also invited us to comment on a document addressing the issue of financing Council sessions held outside headquarters, including the elements of an approach proposed by Brazil and Mexico. The following provides our comments on these two topics.

Regarding the entry into force of the ITTA, 2006:

Thank you for the information on ratifications as of 15 September 2010. We continue to be disappointed that the conditions for automatic entry into force have not been met, although we note that 16 producer members and 30 consumer members have completed all of the procedures. Nevertheless, it is a matter of concern that it is now nearly five years since the conclusion of the negotiation and adoption of the text by consensus, and all current members have not ratified the ITTA, 2006.

This extended and open-ended period of operation while waiting for additional ratifications is not good for the organization. The delay postpones implementation of the features of the new agreement that we all agreed would make the organization more effective and better able to attract voluntary contributions from a wider variety of donors. In addition, the delay creates uncertainty regarding the commitment of some current members to the future of the organization.

We recognize that a decision to bring the treaty into force among a smaller number of countries would have a number of consequences. The most obvious is the fact that the assessed budget would need to be shared among a smaller group of countries. However, a decision to bring the ITTA, 2006 into force would also enable that group of countries to demonstrate leadership and a commitment to the future of the ITTO. In our view, a decision to begin operations under the ITTA, 2006 would very quickly encourage others to join. We also envision the possibility of financial arrangements to allow for a smooth transition for the organization and, in the transition, a reduced financial burden on those members taking the decision to bring the agreement into force.

To summarize: it is our view that the ITTA, 2006 should be brought into force as soon as possible. Although we recognize there are challenges and risks associated with taking such a decision at a meeting in December of this year, we also see risks in further delay. Therefore, if other countries who have ratified agree, we are prepared to participate in a meeting as provided for in Article 39 paragraph 3, with the objective of bringing the ITTA, 2006 into force no later than January 1, 2011.

Regarding the financing of Council sessions held outside the headquarters:

To begin, we take note of the long history of Council debates on the frequency and duration of Council sessions and, as associated topics, the venue of Council sessions and financing for those sessions held outside headquarters. With agreement (as reflected in the first bullet point of the Brazil and Mexico proposal) that the Council meet annually with a rotation between headquarters and a producer member, the remaining issue is financing for sessions outside headquarters. In that context, we welcome the prospect of a “long-term solution” with respect to financing.

We note that the current agreement states “If on the invitation of any member the Council meets elsewhere than at the headquarters of the Organization, that member shall pay the additional cost of

holding the meeting away from headquarters" (Article 9 paragraph 3). The ITTA, 2006 provides greater flexibility: "In considering the frequency and location of its sessions, the Council shall seek to ensure the availability of sufficient funds" (Article 9 paragraph 4). This provides just one example of why we see the need to bring the ITTA, 2006 into force. As a general matter, it is our view that convening the Council is a core function of the organization and any costs for Council sessions that are not covered by the headquarters agreement should be incorporated into the regular, assessed budget.

We welcome the spirit of the Brazil and Mexico proposal, including the effort to provide a predictable source of funds based on contributions by all members. However, we have a number of questions and concerns about specific elements of the proposal. These include:

- Why is this approach (in effect, a "special assessment") better than simply incorporating these additional costs in the regular assessed budget?

- Would the approach and the suggested assessment ($3,000 per member) generate sufficient funds?

- With the current membership, and assuming all members made this payment, the proposal would generate approximately $200,000; this amount is considerably less than the external funding provided for Council sessions held in producer countries over the past decade. Is the proposal intended to provide no more than a fixed amount to any prospective host country?

- Taking into account the fact that some members are in arrears in their payments of assessed contributions, what mechanism would ensure that payments of this special assessment would be made?

In general, it is not our policy to support special assessments outside of the regular assessed budget, except under exceptional circumstances.

Please let us know if we need to clarify any of these comments.

With very best wishes,

David

David J. Brooks
Director for Natural Resources Policy and Environmental Reviews
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